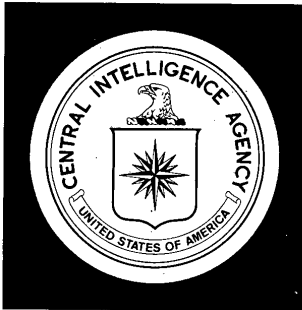




The President's Daily Brief

27 October 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

27 October 1973

PRINCIPAL DEVELOPMENTS

Heavy fighting took place at the southern end of the Suez Canal yesterday, and unconfirmed press reports this morning state that Israeli forces have occupied almost all of Suez city. The Syrian front remains relatively quiet; Iraqi forces are leaving Syria.
(Page 1)

Brezhnev delivered a ringing endorsement of detente yesterday. He clearly was out to demonstrate that the USSR wants good relations with the US to continue, despite complications introduced by Soviet behavior with respect to the war in the Middle East. (Page 3)

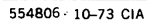
The EC Commission has approved a draft program for monitoring oil movements and supplies. A common information system will probably be established, but further steps toward an oil-sharing program remain unlikely. (Page 4)

Japan has been notified by the major international oil companies that shipments will be cut substantially. The government is already drawing up plans to restrict consumption. (Page 5)

Libya has reportedly converted some \$500 to 600 million into sterling. Total Arab conversions in the past three weeks remain at less than \$1 billion, and the impact on the dollar has been small. (Page 6)

Notes on the USSR, Cuba, and South Korea appear on Page 7.

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ARAB STATES - ISRAEL

There was heavy fighting at the southern end of the canal yesterday, but the northern end remained calm. An Israeli spokesman reported that elements of the Egyptian Third Army attacked yesterday afternoon in an attempt to cross back to the west bank, but were repulsed. [REDACTED]

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[REDACTED] Unconfirmed press reports this morning quoting Israeli officers state that Israeli forces have occupied almost all of the city. Heavy fighting was also reported at Port Tawfiq.

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The mood of the Egyptian public has become more somber, pessimistic, and confused as news of major Israeli gains along the Suez Canal become known. So far President Sadat and the army high command have apparently escaped direct criticism, but rumors are circulating with respect to dissatisfaction with certain military decisions. There are also signs that the US will be blamed increasingly for Cairo's military reversals and for delays in implementing the cease-fire. The editor of the influential Cairo daily Al Ahram reported yesterday that Sadat told him Egypt was forced to accept the October 22 cease-fire because of direct US intervention in the fighting. Sadat reportedly said that his troops were defeating Israel when both sides were without help, but that he could not expect them to fight against the US.

The Syrian front remains quiet. The Syrian foreign minister said yesterday that all Iraqi Air Force units had left Syria and that Iraqi ground forces were being withdrawn. [REDACTED]

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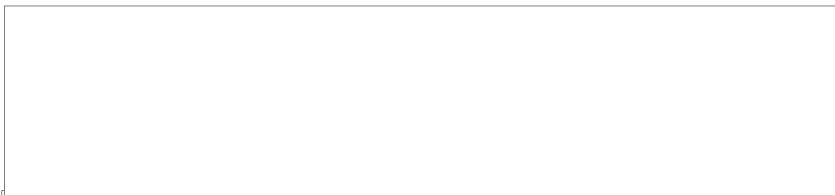
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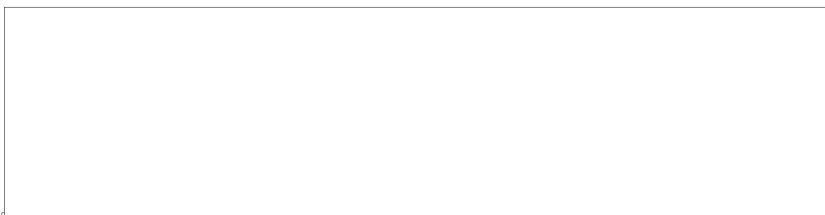
The Soviet naval ships that gathered about 100 nautical miles north of the Egyptian coast on October 25 have dispersed. Four of these--a cruiser and three destroyers--appear to be moving slowly to the northeast in the direction of the Syrian coast. A destroyer, a minesweeper, and an amphibious ship are already located in the waters between Syria and Cyprus. Another destroyer, a minesweeper, and an intelligence collection ship are holding about sixty nautical miles south of Cyprus.



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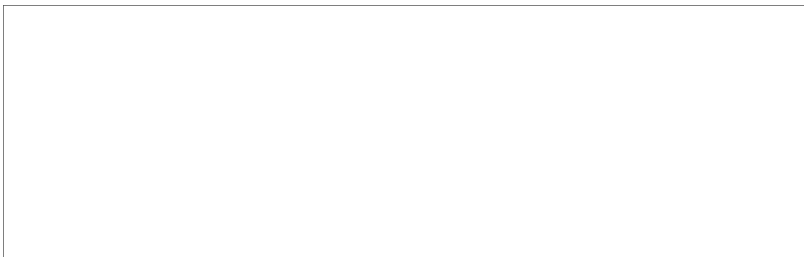
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In addition, a TASS official has told US officials in Cairo that the Soviets became aware Sadat was preparing for war in late September, and that they knew on October 3 that Egypt was about to attack.

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USSR - US - MIDDLE EAST

Addressing the World Congress of Peace Forces yesterday, Brezhnev delivered a ringing endorsement of the benefits of East-West detente and, in particular, of improved ties with the US. He repeatedly called attention to the progress already achieved in relations with Washington and pointed to "good prospects" for further cooperation, adding that "one cannot fail to give credit to Western statesmen" who have begun fruitful dialogue with the USSR.

Brezhnev clearly was out to demonstrate that the Soviet Union wants detente to continue, despite the complications introduced by its behavior with respect to the war in the Middle East, and tried to foster the impression that if detente is endangered, this will not be Moscow's fault. He went to unusual lengths to avoid direct criticism of US actions, limiting himself, for example, to vague references to the "outside" support Israel enjoys, while roundly condemning Israeli actions.

Announcing that the USSR has already sent "representatives to observe fulfillment of the cease-fire," Brezhnev expressed the hope that the US also would do so. He charged that Tel Aviv had "perfidiously violated" the cease-fire, asserted that "urgent and vigorous" measures were needed to enforce it, and stressed that Israel must withdraw from all territories it has occupied since 1967. Brezhnev avoided any direct threat of unilateral Soviet action, however, merely adding that Moscow is "considering other possible measures that the situation may require."

FOR THE PRESIDENT ONLY

EC - OIL POLICY

The EC Commission has approved a draft program for monitoring oil movements and supplies. The proposal, which may enter into force in the next few days, would require member states to inform the Commission of all imports and exports of crude oil and refined products, as well as stockpile levels. Although the Commission probably will succeed in establishing a common information system, as it has long wanted to do, further steps toward an oil-sharing program remain unlikely.

The cutoff of crude oil shipments to the Netherlands by Kuwait, Algeria, Qatar, Iraq, Abu Dhabi, and Oman poses a particularly serious problem, because about half of Dutch imports are normally re-exported to other EC members. The Commission may be attempting to forestall unilateral Dutch export controls on other oil supplies still entering Rotterdam for transshipment to nearby countries. At the same time, despite the Arabs' warning that their embargo will be extended to those who re-export oil to countries already sanctioned, the Commission is urging Community members to support the Netherlands and any other EC country facing a supply crisis.

Most EC countries have set up mechanisms of their own that could restrict exports both inside and outside the Community. In a supply crisis, they would undoubtedly restrict exports outside the Community more severely than intra-EC exports. Consequently, shipments of refined products to the US would be sharply curtailed. Although European shipments accounted for only about 1 percent of US consumption last year, the loss would worsen shortages already expected this winter.

FOR THE PRESIDENT ONLY

JAPAN

Tokyo has been notified by the major international oil companies--which supply the bulk of Japan's oil--that shipments will be cut substantially. Gulf Oil, which supplies about 10 percent of Japanese oil imports, has said it may have to reduce deliveries by 35 percent for the remainder of this year.

Japanese refineries are still operating normally, and crude and product stocks are equivalent to about six weeks of consumption. Nonetheless, the government is already drawing up plans to restrict consumption. Rationing will be used as a last resort. At the same time, Tokyo is pressing the major oil companies to assure Japan a fair share of the reduced supplies available to them.

Tokyo had hoped that its careful fence-straddling on the Middle East conflict would be enough to assure continuation of scheduled deliveries, despite the production cutbacks. The Arabs are still pressing Tokyo for a definitive pro-Arab stand, but to date the Japanese have only restated their support for the UN resolutions.

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INTERNATIONAL MONETARY DEVELOPMENT

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Libya reportedly is the Arab nation that has sold the most dollars since the Middle East war began. [redacted]

[redacted] last week Libya converted some \$500 to 600 million--mostly Euro-dollars--into sterling. Even with sales of this magnitude, remaining Libyan dollar assets are estimated at about \$1 billion.

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On October 18, President Qadhafi exhorted his fellow Arab leaders to sell their dollars and remove their dollar assets from the US. Total Arab conversions in the past three weeks nevertheless remain at less than \$1 billion. Estimated Saudi sales of \$200 million rank second to Libya's.

The impact on the dollar has been small, probably because of continuing trader belief that the dollar is undervalued. Yesterday the dollar strengthened markedly upon the announcement of an \$870 million US trade surplus in September and in reaction to a lessening of tensions in the Middle East.

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NOTES

USSR - Middle East: [REDACTED]

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[REDACTED]

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USSR: In his speech in Moscow yesterday, Brezhnev announced that this year's Soviet grain harvest would go over 215 million metric tons--almost 18 million more than previous Soviet estimates. On the basis of yields reported so far, we would estimate a total harvest of between 206 and 220 million tons. This compares with last year's total harvest of 168 million tons and the previous record of 187 million tons in 1970.

Cuba: [REDACTED]

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[REDACTED] six more artillery emplacements and two drive-through revetments have been constructed near Guantanamo Naval Base in the last two weeks. However, no weapons, support equipment, or unusual activity were observed in the area.

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South Korea: The government released opposition leader Kim Tae-chung from house arrest yesterday in the hope of quickly settling with Tokyo the issue of his abduction from Japan last August. Seoul also hopes that Kim's release will divert domestic attention from a detained university professor's recent death--widely rumored to have resulted from torture. The government fears that these rumors may further fuel student unrest that has been mounting for the past few weeks.

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